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Agenda Item 3c

May 17, 2011

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** 2011-2012 Performance Plans for the Chief Executive Officer, Chief Actuary and General Counsel (First Reading)
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:** Recommend the Board Approve the First Reading of the Performance Plans for the Chief Executive Officer, Chief Actuary and General Counsel
- IV. ANALYSIS:**

The Board of Administration's Compensation Policies and Procedures include a schedule for approving incentive plans for the coming fiscal year. The 2011-2012 performance plans for the Chief Executive Officer, Chief Actuary and General Counsel are presented with this item for first reading.

CalPERS Business Plan

This year's executive plans reflect an alignment of the organization's highest enterprise priorities as outlined in the 2011-12 CalPERS Business Plan (Attachment 1), which focuses on three main priorities as follows:

- Customer Focus: Today and Tomorrow
- Leadership and Soundness
- Building Internal Strength

All Board direct reports have shared leadership accountability for executing these priorities. In addition, you will see that the CIO's plan also reflects shared responsibility for these priorities in his qualitative performance measure. The priorities outlined in the business plan and performance plans will cascade down to all levels of executive and senior management staff in their objective setting process. The intent is to ensure that the entire management team is aligned and working together on the most critical organizational priorities.

Management Drivers

In addition to being aligned with the Business Plan, the executive plans also contain a performance measure entitled Management Drivers, which encompasses eight (8) key management initiatives (Attachment 2). These initiatives are also included in the performance plans of all Investment Management positions and all other CalPERS Executives.

V. STRATEGIC PLAN:

Under Goal III of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

MICHAEL A. WILLIHNGANZ, Chief
Human Resources Division

STEPHEN W. KESSLER
Deputy Executive Officer
Operations and Technology

Attachments

2011-12 Performance Plans

The FY 2011-12 performance plans are presented in the following order:

Position	Incumbent
Chief Executive Officer	Anne Stausboll
Chief Actuary	Alan Milligan
General Counsel	Peter Mixon